

statement of accounting policies

REPORTING ENTITY

The Christchurch City Council is a territorial local authority formed under the Local Government Act 1974 as amended.

The group consists of the entities listed on page 18.

MEASUREMENT BASE

The measurement base adopted is that of historical cost as modified by the revaluation of certain assets.

ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

A. Basis of Consolidation

Subsidiary Companies and Local Authority Trading Enterprises

Subsidiaries and other entities in which the Council has a controlling shareholding are accounted for using the Purchase method, which shows the revenues and expenditures in the Consolidated Statement of Financial Performance, and the assets and liabilities in the Consolidated Statement of Financial Position. All significant intercompany transactions are eliminated upon consolidation.

Associate Organisations

Associate organisations are accounted for by the Equity method, which records the Council's share of profits and losses for the period in the Statement of Financial Performance, and shows the amount of equity held in Investments in the Statement of Financial Position. An associate organisation is one in which the Council has an equity interest of between 20% and 50% and the capacity to significantly influence the policies of that organisation.

Joint Ventures

Joint Ventures are incorporated into the parent's financial statements using the proportionate method.

B. Operational and Fixed Assets

(i) Council Operational Assets:

- (a) The following operational assets were valued as at 30 June 1991 by Harcourts Valuations Ltd.

- Chattels
- Mobile Plant (including vehicles)
- Plant

Valuations above were based on depreciated replacement value. This is deemed to be cost.

- (b) Land and Buildings were valued by Simes Ltd at 30 June 2002 to fair value by reference to their highest and best use.
- (c) Library Books are shown at a valuation by

Harcourts Valuations Ltd at 30 June 1992. The valuation was based on the lower of the net current replacement cost, and the recoverable amount. This is deemed to be cost.

Operational Assets are valued as follows:

All Plant and Chattels and Library Books	At initial valuation and cost for subsequent purchases.
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Land & Buildings	Revalued every three years by external valuers.
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(ii) Airport Fixed Assets:

Fixed assets are recorded at original cost less accumulated depreciation except for land and sealed surfaces.

Cost recognises the acquisition price paid on the purchase of the Airport assets from the Christchurch Airport Authority and subsequent capital expenditure. Land is revalued every three years. Sealed surfaces were valued for the first time at 30 June 2002. The current valuation of land and sealed surfaces is at fair value as at 30 June 2002 by Crighton Anderson & Associates Ltd.

(iii) Port Fixed Assets:

Fixed assets are recorded at cost less accumulated depreciation.

(iv) Public Transport Fixed Assets:

Buses were revalued to net open market value at 30 June 2000 by Darroch Limited.

(v) Electricity Distribution Systems:

All fixed assets were revalued by Ernst and Young, registered valuer, to net current value at 31 March 2000.

(vi) Assets purchased since valuation have been recorded at cost.

C. Infrastructural Assets

Stormwater Infrastructural Assets have been valued using the optimised depreciated replacement cost method at 30 June 2002, by Meritec Limited. Sewerage Infrastructural Assets have been valued using the optimised depreciated replacement cost at 30 June 2000 by the City Solutions Unit of the Council and peer reviewed by Opus International Consultants Limited and Beca Valuations Limited. Roading and Water Reticulation Infrastructural Assets (including Traffic Signals & Bus Shelters) have been valued using the optimised depreciated replacement cost method at 30 June 2001 by Meritec Limited. Land under roads was valued at 30 June 1992, by Quotable Value NZ at the value used for rating purposes. This is deemed to be cost.

Additions to Infrastructural Assets since valuation are recorded at cost. This includes vested assets that are recorded at the cost to the subdivider.

D. Assets under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion, and then depreciated.

E. Restricted Assets

These assets are:

Land and Buildings with restrictions on sale - eg Parks and Reserves

Library Books - New Zealand Collection

Properties held in trust for other organisations

These assets have been valued on the same basis as Operational Assets with vested Reserve Land additions recorded at the cost to the subdivider.

Works of Art:

Works of Art have been valued at market value by the Senior Curator of the Robert McDougall Art Gallery as at 30 June 2000.

F. Investment and Development Property

The Council has no properties purchased or acquired for the primary purpose of earning capital gains or rental income.

G. Depreciation

Depreciation provided in respect of Operational and Infrastructural Assets is intended to write off the cost of assets over their estimated useful lives.

For Operational Assets, the straight line method is used except for Mobile Plant that is depreciated on a diminishing value (DV) basis.

Infrastructure Assets are depreciated using the long run average renewals approach (LRARA) where the decline in service potential (depreciation) is the average of the estimated expenditure on renewals required to keep the networks at their current levels of potential and service. A fifty year period has been used to calculate the average renewals expenditure for the Roothing & Water Supply networks, thirty years for the Wastewater network and twenty years for Stormwater. The estimated useful lives disclosed for Infrastructure Assets are used for planning and valuation purposes.

The main bases are the following periods:

Buildings	15-100 yrs
Office and Computer Equipment	4-5 yrs
Motor Vehicles/Motorised Plant	2-16 yrs
Mobile Plant	7.5-50% DV
Buses	5-6 yrs
Sealed Surfaces (other than roads)	30-100 yrs
Harbour Structures	5-58 yrs
Electricity Distribution System	70 yrs
Gas Mains and Services	80 yrs
Meters and Local Control Equipment	30 yrs
Leasehold Land Improvements	14 yrs
Library Books	3-10 yrs
Infrastructural Assets	
Roothing	2-90 yrs
Streetlights	25 yrs
Bridges	70 or 150 yrs
Bus Shelters	40 yrs
Sewers, Stormwater and Water Supply Systems and Plant	10-130 yrs

Restricted Assets are not depreciated except for Historic Buildings which are depreciated at 1% on a straight line basis.

H. Landfill After Care Costs

As operator of the Burwood landfill, the Council has a legal obligation to provide ongoing maintenance and monitoring services at the landfill site after closure. To provide for the estimated cost of aftercare, a charge is made each year to spread the costs over the life of the landfill.

The estimated cost is calculated based on estimates of:

(i) Total current cost

This is defined as the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period.

The estimate has been based on costs of closure of similar landfills by other local authorities.

(ii) Total capacity

The estimated length of time needed for post-closure care is 30 years.

The Council also has a legal obligation to provide ongoing maintenance and monitoring services for the closed landfill sites of the former amalgamating authorities.

The estimated future costs to perform this obligation have been accrued and charged.

The calculations assume no change in the legislative requirements for closure and post-closure treatment.

I. Revenue Recognition

Rates revenue is recognised when levied. Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year end, are accrued on an average basis.

Transfund roading subsidies are recognised as revenue upon entitlement, that is, when the conditions related to eligible expenditure have been fulfilled. Other grants and bequests and assets vested in the Council, are recognised as revenue when control over the assets is obtained. Dividends are only recognised as income, net of imputation credits, when the dividends have been declared and have or are almost certain to receive the necessary shareholder approval.

J. Goods and Services Tax

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

K. Research and Development Costs

Research and development costs are expensed in the period incurred. Development costs are deferred where it is probable that future benefits will exceed those costs. Deferred development costs are amortised over future periods in relation to expected future revenue.

L. Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired at the time of Orion New Zealand Ltd's and Christchurch City Holdings Ltd's acquisition of the shares in subsidiaries.

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is a maximum of 20 years.

M. Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year expense and the income tax effects of timing differences applied on a comprehensive basis and calculated using the liability method.

Christchurch International Airport Ltd applies tax effect accounting on a partial basis to all timing differences. All other subsidiaries apply tax effect accounting on a comprehensive basis.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised when there is virtual certainty of realisation.

N. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by FIFO or weighted average methods. Some inventories are subject to restriction of title.

O. Leases

(i) Finance Leases

These leases effectively transfer all the risks and benefits of ownership to the lessee. Finance leases are included in liabilities at their current value.

Assets purchased under such leases are included in fixed assets and depreciated at usual rates.

(ii) Operating Leases

Under these leases, the lessor effectively retains all the risks and benefits of ownership. These lease payments are charged as expenses in the periods in which they are incurred.

P. Employment Entitlements

Provision is made in respect of the Council's liability for gratuity allowances, and annual and long service leave.

The liabilities for leave have been calculated on an actual entitlement basis at current rates of pay. The retiring gratuity liability has been assessed on an actuarial basis.

Q. Investments

Shares in subsidiaries, apart from Christchurch City Holdings Ltd (CCHL), associates and shares in Local Government Insurance Corporation Limited are valued at share of equity off the latest Statement of Financial Position. Shares in CCHL were revalued at 30 June 2001, based on a market valuation undertaken by KPMG of three of its subsidiaries.

This value has been adjusted for subsequent changes in the Group's structure. All other investments are stated at lower of cost and net realisable value.

R. Financial Instruments

Christchurch City Council and its subsidiaries are party to financial instrument arrangements as part of their everyday operations. These financial instruments include Banking funds, Bank Deposits, Short Term Investments, Accounts Receivable, Sinking Fund Investments, Accounts Payable and Term Debt.

Revenues and Expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are recognised in the Statement of Financial Position, with the exception of Guarantees and Contingent Assets and Liabilities, which are disclosed by way of Note to the Financial Statements. Any income or expenditure arising from the exercising of a guarantee, or upon a contingency becoming an actual asset or liability, will be recognised in the Statement of Financial Performance at the time of confirmation.

The following methods and assumptions were used to value each class of financial instrument:

- (a) Accounts Receivable and Long Term Receivables are recorded at estimated realisable value.
- (b) Short Term Investments are valued at fair value.
- (c) Investments in Government and Local Authority Stock are valued at cost with premiums paid or discounts taken on acquisition amortised over the life of the investment. Income is recognised on a yield to maturity basis.
- (d) Loans to various sporting and cultural organisations are recorded at fair value.
- (e) All other financial instruments, including Cash and Bank balances, Accounts Payable and Term Debt are valued at fair value.

Members of the group enter into swap and forward rate transactions for the primary purpose of reducing exposure to fluctuations in interest rates. While these financial instruments are subject to the risk that market rates may change subsequent to the acquisition of the financial instrument, such changes would generally be offset by opposite effects on the item being hedged. For swap agreements, the differential to be paid or received is accrued as interest rates change, and is recognised as a component of interest expense over the life of the agreement.

S. Debt Servicing Costs

Debt Servicing Costs are apportioned on the basis on the book value of the Operational and Infrastructural Assets employed at 1 July 2001.

T. Cost Allocations

The costs of all internal service type activities are allocated or charged directly to external service type activities.

External service activities refer to activities which provide a service direct to the public.

Internal service type activities provide support for the external service activities. Where the user of a service can be identified, for example with City Solutions, the cost recovery is made by way of direct charge.

Where this has not been possible, the costs are allocated by way of corporate overhead.

The basis of the corporate overhead allocation is reviewed each year and every attempt is made to relate the allocation made with the service utilised.

Internal service costs which are allocated out as corporate overhead include Corporate Services and Financial Services.

U. Donated Goods and Services

The Council receives the benefits of many services provided by volunteers. These services are greatly valued. They are, however, difficult to measure in monetary terms. From an accounting point of view these services are not considered material in relation to the Council's total expenditure.

Vested Land is included at current value and Infrastructural Assets are included at the cost to the subdivider.

V. Third Party Transfer Payment Agencies

The Council collects monies for many organisations including Environment Canterbury, Building Industry Authority and others. Where collections are processed through the Council's books, any monies held are shown as Accounts Payable in the Statement of Financial Position.

W. Budgets/Estimates Disclosed

The budget and estimate figures shown in the financial statements represent the budgets included in the Financial Plan for the year ended 30 June 2002 adjusted for expenditure and revenue carried forward into the next financial year, and budget changes authorised by the Council.

X. Changes in Accounting Policies

The Council and group have changed their accounting policy for the valuation of land and buildings in order to comply with FRS-3: *Property, Plant and Equipment*. This standard came into effect for periods ending on or after 31 March 2002. It requires assets to be revalued at fair value which has been determined by reference to their highest and best use. The previous policy had been to determine the fair value of those items by reference to their existing use.

The landfill post-closure provision is now measured in accordance with financial reporting standard FRS-15: *Provisions, Contingent Liabilities and Contingent Assets*. Previously, a charge was made each year based on usage of the landfill to provide for the estimated cost of the landfill aftercare.

The implementation of the new policy has the following impact on the consolidated financial statements for the current year:

The overall effect of the change is to increase the aftercare

liability in the statement of financial position by \$1.4 million and to introduce a landfill asset of \$2,343,000. The two are not equal, given that the landfill has already been in operation for 5 years.

In accordance with the transitional provisions of FRS-15, the adjustment to the liability and the associated asset has been made against equity at the beginning of the current financial reporting period.

The on-going annual charge to the Statement of Financial Performance arising from the landfill will now comprise depreciation of the landfill asset, plus any increase or less any decrease in the provision as a result of new information requiring the revision. Previously the charge was a direct result of the increase in the amount of the provision.

During the year the accounting policy relating to airport sealed surfaces was changed to conform to the requirements of FRS-3: *'Accounting for Property, Plant and Equipment'*.

Under the previous policy, the initial costs of establishing sealed surfaces were capitalised and depreciated over the ultimate economic life for those surfaces. The economic life for sealed surfaces was based on the assumption that periodic maintenance would be carried out. The future estimated costs of periodic maintenance, including the resealing of surfaces, were recognised as an additional expense in the statement of financial performance on a systematic basis. The provision for estimated future expenses in resealing surfaces was deducted from the carrying value of sealed surfaces.

Under the new accounting policy the cost of the sealed surfaces is allocated to separate components to the extent that the components have different useful lives. The cost of each component is depreciated over its useful life. No provision is made in respect of the periodic maintenance of sealed surfaces, including the resealing of surfaces, to be incurred in future periods. These costs are capitalised when they are incurred to the extent that they provide future economic benefits and in all other cases, expensed as incurred.

As a result of the above changes in accounting policy:

- (a) Sealed surfaces were revalued to a component level using their optimised depreciated replacement costs at 1 July 2001. This resulted in the opening value of sealed surfaces increasing by \$30,356,000.
- (b) The opening provision for estimated future expenses in resealing surfaces amounting to \$7,439,000 was reversed as part of the revaluation of the sealed surfaces. Under the previous accounting policy the provision was deducted from the carrying amount of sealed surfaces.
- (c) The costs of resealing the surfaces during the year amounting to \$779,234 were capitalised as property, plant and equipment. Under the previous policy these costs would have been expensed against the provision for the estimated future expenses.
- (d) The establishment of specific useful lives for different components of sealed surfaces resulted in additional depreciation amounting to \$947,832 being recognised in the statement of financial performance in the current year.

There were no other changes in Accounting Policies. These have been applied on a basis consistent with those used in previous years.

notes to the financial statements

Note 1:

Income

	Actual 2002 Parent \$000's	Estimate 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Significant Activity Income:	\$81,392	\$77,682	\$77,072	\$83,122	\$86,188

(Refer to Summary of Activities on Page 47)

Other Income

Interest Income:

Subsidiaries	2,648	3,578	1,036	0	0
Loan Repayment Investments	428	468	398	428	398
Short Term Investments	7,071	7,945	6,977	22,207	27,256
Special and Other Fund Investments	1,708	1,188	2,070	1,708	2,070
Total Interest Income	\$11,855	\$13,179	\$10,481	\$24,343	\$29,724

Dividend Income:

Christchurch City Holdings Ltd					
- Ordinary	30,628	30,600	24,160	0	0
- Special	153,850	128,000	0	0	0
Local Government Insurance Corporation Ltd	0	25	0	0	0
Selwyn Plantation Board Ltd	157	0	889	157	889
City Care Ltd	1,231	0	624	0	0
Total Dividend Income	\$185,866	\$158,625	\$25,673	\$157	\$889

Sundry Income:

Petroleum Tax	2,016	2,020	1,943	2,016	1,943
Sundry	5,558	1,005	9,467	15,750	28,548
Grants	3,635	3,200	3,563	3,635	3,563
Trading Subsidiaries Operating Income (Segment Report in Note 3)	0	0	0	319,056	487,892
Total Sundry Income	\$11,209	\$6,225	\$14,973	\$340,457	\$521,946

Total Other Income

Total Other Income	\$208,930	\$178,029	\$51,127	\$364,957	\$552,559
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Note 2: Expenditure

	Actual 2002 Parent \$000's	Estimate 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Significant Activity Expenditure	\$246,490	\$245,153	\$234,137	\$245,125	\$240,896
(Refer to Summary of Activities on Page 47)					
Other Expenditure					
Levies	5,520	5,594	4,225	5,520	4,225
Professional Fees re Subsidiaries	113	155	32	113	32
Sundry	4,163	4,652	2,124	13,011	10,829
Trading Subsidiaries Operating Expenditure (Segment Report in Note 3)	0	0	0	225,111	221,558
Total Other Expenditure	\$9,796	\$10,401	\$6,381	\$243,755	\$236,644

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's
Expenditure disclosures required pursuant to Section 223 J and K of the Local Government Act 1974 and Canterbury Museum Trust Board Act 1993		
(a) Insurance Premiums paid	1,366	1,191
(b) Ex Gratia payments to any persons suffering a loss while rendering assistance or performing any action while under control or authority of the Council	0	0
(c) Ceremonies for the public or a section of the public	73	147
(d) Purchase of insignia and robes of office and civic insignia of any kind	6	5
(e) Provision of Entertainment	111	96
(f) Payment of levies or general contributions to organisations considered appropriate to the functions of the Council		
Civil Defence	795	685
Canterbury Museum	4,205	2,875
Riccarton Bush	208	235
Rural Fire Fighting	366	430
(g) Unauthorised Expenditure	0	0
(h) The Council appoints four members as its representatives on the Canterbury Museum Trust Board.		



New Lost City of Atlantis leisure pool at QEII Park.

Note 3:**(a) Operating Surplus**

	Actual 2002 Parent \$000's	Estimate 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
After Charging:					
Audit Fees					
Fees paid to principal auditor	150	150	150	342	358
Fees paid to other auditors	0	0	0	69	43
Other services provided by principal auditor	0	0	110	20	31
Other services provided by other auditors	0	0	0	50	93
Amortisation of Goodwill	0	0	0	4,184	1,909
Bad Debts	105	25	132	405	1,469
Depreciation					
Land Improvements & Buildings					
including Restricted	7,298		6,710	18,345	17,655
Plant, Equipment & Vehicles	6,520		5,597	12,500	14,050
Library Books	2,894		2,631	2,894	2,631
Artworks	26		0	26	0
Roading Infrastructure	20,883		20,184	20,883	20,184
Sewerage Infrastructure	5,321		5,460	5,321	5,460
Stormwater Infrastructure	2,090		2,091	2,090	2,091
Water Reticulation Infrastructure	3,468		4,608	3,468	4,608
Vessels	0		0	62	100
Buses	0		0	1,065	683
Sealed Surfaces	0		0	1,934	855
Distribution System	0		0	15,389	14,798
Harbour Structures	0		0	1,106	1,145
Other Assets	0		0	2,212	2,528
Total	48,500	48,442	47,281	87,295	86,788
Interest	6,396	7,721	5,740	26,269	23,504
Leasing and Rental Costs	4,152	4,102	3,511	5,045	5,809
Increase/(Decrease) in Provision for					
Doubtful Debts					
	0	0	100	0	141
Councillors' Remuneration	1,317	1,275	1,240	1,317	1,240
Directors Fees	0	0	0	831	904
Gain/(Loss) on Sale of Assets	193	26	(1,026)	771	(2,520)
Severance and Restructuring Costs	252	0	848	509	1,281
Research and Development	0	0	0	49	79
Parent Company Expense	0	0	0	1,024	917
Movement in Provision for Resealing	0	0	0	0	806
Foreign Exchange Losses/(Gains)	0	0	0	0	0
Exploration Expenditure Written off	0	0	0	4,233	20,986
Donations	0	0	0	91	148
Assets Written off	4,970	3,795	3,662	4,970	3,662

(b) Discontinued Activities

On 1 April 2000, Orion New Zealand Limited sold its North Island gas networks and contracting activities. Effective 20 April 2000, Orion New Zealand Limited sold its industrial gas trading business. On 20 December 2000, the Antarctic Visitor Centre operation was sold by Christchurch International Airport Ltd. The comparative figures relate to these sales. Revenue and Profits attributable to continuing and discontinued activities are summarised as follows:

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Continuing Activities:				
Revenue	430,921	259,549	587,621	547,547
Net surplus/deficit	197,817	43,612	63,366	60,236
Discontinued Activities				
Revenue	0	0	151	221,542
Net surplus/deficit	0	0	(2,979)	189,518

Note 3 cont...

(c) Segment Information

	2002 Group \$000's	2001 Group \$000's
Segmental Income		
Energy and Energy Networks	175,351	157,795
Airport	51,875	52,358
Port	61,980	57,952
Public Transport	19,570	16,590
Contracting	14,191	0
Profit on Sale of North Island Gas Operations	0	209,396
	<u>322,967</u>	<u>494,091</u>
Inter Entity Movement	(3,911)	(6,199)
Trading Subsidiaries Operating Income	<u>\$319,056</u>	<u>\$487,892</u>
Segmental Expenditure		
Energy and Energy Networks	129,441	137,751
Airport	32,751	36,641
Port	37,748	37,646
Public Transport	18,072	15,219
Contracting	12,785	0
Inter Segment	6,494	10,692
	<u>237,291</u>	<u>237,949</u>
Inter Entity Elimination	(12,180)	(16,391)
Entity Expenditure	<u>\$225,111</u>	<u>\$221,558</u>
Being:		
Operating Costs	169,752	148,856
Interest	17,337	16,598
Depreciation	33,618	32,581
Other Expenses	16,584	39,914
	<u>237,291</u>	<u>237,949</u>
Offset on Consolidation	(12,180)	(16,391)
	<u>\$225,111</u>	<u>\$221,558</u>



Historic buildings in High Street where heritage precinct work was completed during the year.

Note 4: Equity

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
(a) Reserve Funds				
Opening Balance	107,461	175,467	107,461	175,467
Transferred (to)/from Retained Earnings	168,249	(68,006)	168,249	(68,006)
Closing Balance	\$275,710	\$107,461	\$275,710	\$107,461
(b) Capital Reserve				
Opening Balance	1,733,853	1,733,853	1,733,853	1,733,853
Transferred (to)/from Retained Earnings	0	0	0	0
Closing Balance	\$1,733,853	\$1,733,853	\$1,733,853	\$1,733,853
(c) Asset Revaluation Reserves				
Opening Balance	1,234,084	1,368,130	464,857	354,846
Revaluation of Shares of Subsidiaries and Associates	(142,901)	(149,258)	(6,888)	(1,489)
Revaluation of Assets	64,731	112,485	88,084	112,485
Realised Assets Revaluation Reserve	1,746	(97,273)	1,746	(985)
Closing Balance #	\$1,157,660	\$1,234,084	\$547,799	\$464,857
(d) Retained Earnings				
Opening Balance	361,362	152,471	868,194	573,686
Add Surplus for Year	197,817	43,612	60,387	249,754
Add Prior Period Adjustments for Year	943	0	943	0
Add Transfers (to)/from Reserves	(168,249)	68,006	(168,249)	68,006
Movement Relating to Preacquisition	0	0	598	(24,237)
Realised Assets Revaluation Reserve	(1,746)	97,273	(1,746)	985
Closing Balance	\$390,127	\$361,362	\$760,127	\$868,194
Minority Interest*	0	0	\$110,315	\$100,908
Total Equity	\$3,557,350	\$3,436,760	\$3,427,804	\$3,275,273

*Minority Interest

	2002 \$000's	2001 \$000's
Christchurch International Airport Ltd	40,595	31,552
Lyttelton Port Company Limited	16,886	14,946
Orion NZ Ltd	52,834	54,410
	\$110,315	\$100,908

#Revaluation Reserves

	2002	2001
Land and Buildings	138,688	142,665
Library Books	1,621	1,621
Artworks	5,612	5,612
Roading Infrastructure	155,893	156,991
Sewerage Infrastructure	80,824	81,031
Stormwater Infrastructure	71,422	0
Water Reticulation Infrastructure	21,483	21,479
Investments	682,117	824,685
Sealed Surfaces	0	0
	\$1,157,660	\$1,234,084
	\$547,799	\$464,857

Note 5: Non-Current Liabilities

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Term Debt-Note 7	82,293	52,910	236,451	276,369
Provision for Landfill Aftercare	18,349	14,582	18,349	14,582
Provision for Employee Entitlements	7,422	7,090	7,422	7,403
Deferred Tax	0	0	36,623	31,888
Other	0	0	3,509	1,306
Total Non-Current Liabilities	\$108,064	\$74,582	\$302,354	\$331,548

Note 6: Current Liabilities

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Trade Creditors	33,336	31,234	69,798	72,748
Owing to Subsidiaries	6,693	6,591	0	0
Bank Overdrafts	0	0	779	860
Provision for Taxation	0	636	0	1,907
Current Portion of Term Debt - Subsidiaries	10,143	24,993	0	0
Current Portion of Term Debt - Other	10,223	7,657	68,538	13,795
Other	586	0	17,284	14,779
	\$60,981	\$71,111	\$156,399	\$104,089
Employee Entitlements				
Accrued Pay	1,562	1,705	3,184	3,545
Annual Leave	8,335	7,395	16,991	15,377
Total Employee Entitlements	\$9,897	\$9,100	\$20,175	\$18,922
Total Current Liabilities	\$70,878	\$80,211	\$176,574	\$123,011

Included within the Group amount for "Other" are the following provisions:

	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Warranties, Remedial Work & Site Restoration		
Opening Balance	1,000	200
Additional Provision Made	415	870
Amount Utilised	(337)	(70)
Closing Balance	\$1,078	\$1,000
Revenue Adjustments		
Opening Balance	3,300	3,000
Additional Provision Made	525	1,800
Amount Utilised	(1,800)	(1,500)
Closing Balance	\$2,025	\$3,300
Restructuring		
Opening Balance	0	0
Additional Provision Made	258	0
Amount Utilised	0	0
Closing Balance	\$258	\$0
Closing Balance of all the Provisions above	\$3,361	\$4,300

Note 7: Public Debt

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
(a) Current				
Unsecured Loans	0	0	58,245	0
Owing to Subsidiaries	10,143	24,993	0	0
Other Secured Loans	10,223	7,657	10,293	13,795
Total Current Debt	\$20,366	\$32,650	\$68,538	\$13,795
(b) Non-Current				
Unsecured Loans	0	0	212,410	125,000
Owing to Subsidiaries	58,252	18,648	0	0
Secured Loans	24,041	34,262	24,041	151,369
Total Non-Current Debt	\$82,293	\$52,910	\$236,451	\$276,369

(c) Security

Council Term Loans are secured either by general rates of the City, or by Council income. The Council has no Finance Leases.

(d) Repayment Terms

The following is a summary of Term Debt according to the year of repayment:

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Payable no later than 1 year	20,366	32,658	68,538	13,803
1 - 2 years	24,426	10,223	29,629	134,066
2 - 3 years	37,376	21,822	56,426	50,321
3 - 4 years	137	376	80,179	17,946
4 - 5 years	20,088	138	69,951	208
Later than 5 years	266	20,343	266	73,820
	\$102,659	\$85,560	\$304,989	\$290,164

(e) Interest Rates

The weighted average effective interest rates on borrowings (current and non-current) were:

	Actual 2002 Parent	Actual 2001 Parent	Actual 2002 Group	Actual 2001 Group
Loans and Debentures	6.78%	6.96%	5.33% to 6.8%	5.27% to 7.09%

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's
The Council has loan repayment investments (sinking funds) which are to be used for repayment of Term Debt	7,416	7,139
The Council also has a Debt Repayment Reserve to be applied to reduction of Term Debt	136,821	62,141

Note 7 cont...

Christchurch City Holdings Ltd borrowings at 30 June 2002, comprised bonds in six tranches ranging from \$1.5 million to \$50 million. These borrowings mature at annual intervals until 15 November 2006. Coupon rates are between 5.92% and 7.75%. These borrowings were effected under a \$350 million debt issuance programme. The purpose of the debt programme is to enable CCHL to borrow on behalf of Christchurch City Council to partially fund its future capital expenditure programme. These borrowings are unsecured but the loan documentation imposes certain covenants and restrictions on CCHL. The effective interest rate on CCHL's borrowings for the year was 6.8% (2001 6.9%). Orion NZ Ltd Group's debt is all unsecured but it is required to comply with certain covenants under the loan agreement. Interest rates for all borrowings are floating, based on 90 day bank bill rates plus a margin. As at 31 March 2002, this rate was 5.33%. The Orion group had no interest bearing borrowings at 31 March 2001.

Christchurch International Airport Ltd uses a multi-option facility of \$120 million, provided by the ANZ Banking Group NZ Ltd, that is underwritten to March 2005. All borrowings are unsecured and are supported by a negative pledge deed. At 30 June 2002, the Company had on issue 90 day short term registered notes with a face value of \$66 million (2001 \$75 million) with a discounted value of \$65 million (2001 \$74 million). Interest rates are determined by reference to prevailing market rates and during the year ranged from 6.06% to 6.78%. Lyttelton Port Company Limited has short term borrowings and term advances raised pursuant to a multi option credit line agreement with Westpac Trust. These funds have been lent against a negative pledge deed where the bank rates equally with other creditors. The effective interest rate during the year was 6.04% (2001 6.89%).

Unsecured Loans

The Council has no unsecured loans (2001 Nil).

Variations/ Changes to the Borrowing Management Policy

There have been no changes or variations to this Policy.

Note 8: Current Assets

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Cash at Bank, and Short Term Investments	\$280,046	\$141,248	\$318,559	\$328,807
Receivables and Prepayments				
Rates Debtors	6,142	6,776	6,142	6,776
Other Trade Debtors	7,252	7,145	31,866	49,006
Amount Owing by Subsidiaries	1,800	774	0	0
Amount Owing by Associates	0	0	0	0
Other Receivables/Prepayments	8,479	5,808	7,645	5,843
GST Receivable	7,798	2,451	7,878	3,117
Taxation Receivable	0	0	5,118	22,371
Dividends Receivable	23,628	377	0	377
Amounts Owing by Directors/Councillors	0	0	0	0
	55,099	23,331	58,649	87,490
Less Provision for Doubtful Debts	(350)	(350)	(370)	(350)
Total Receivables and Prepayments	\$54,749	\$22,981	\$58,279	\$87,140
Inventories				
General Stores	1,631	1,576	7,365	7,866
Livestock and Feed	274	319	274	319
Souvenirs and Food	147	200	147	200
Development Land	1	54	1	54
Total Inventories	\$2,053	\$2,149	\$7,787	\$8,439
Fixed Assets Held for Resale	\$154	\$0	\$3,570	\$0
Total Current Assets	\$337,002	\$166,378	\$388,195	\$424,386

Note 9: Non-Current Assets

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Investments				
Government and Local Body Stock	6,550	4,285	6,550	4,285
Sinking Funds other than Local Body Stock	3,866	2,854	3,866	2,854
General Investments				
Mortgages and Loans	2,410	5,598	2,410	5,598
Investment in Companies (at share of equity)				
NZ Counties Investments Co Ltd	0	13	0	13
NZ Local Government Insurance Co Ltd	677	677	677	677
Shares held on a/c MK Richards Trust	11	681	11	681
Subsidiary Companies (at share of equity except CCHL)				
City Care Ltd	0	11,924	0	0
Christchurch City Facilities Ltd	42,893	45,302	0	0
Jade Stadium Ltd	999	2,535	0	0
Travis Finance Ltd	39	(5,717)	0	0
Christchurch City Holdings Ltd (CCHL)	720,000	855,000	0	0
Associate Company (at share of equity)				
Selwyn Plantation Board Ltd	0	30,005	0	30,005
Transwaste Canterbury Ltd	5,698	5,221	5,698	5,221
Loans to Subsidiary Companies				
City Care Ltd	0	7	0	0
Jade Stadium Ltd	41,243	18,593	0	0
Travis Finance Ltd	0	7,400	0	0
Subsidiary Company Investments	0	0	43,695	11,740
Total Investments	\$824,386	\$984,378	\$62,907	\$61,074

	Actual 2002 \$000's	Actual 2001 \$000's
Publicly Traded Investments		
Market Value of CCHL's investment in Lyttelton Port Company Ltd at 30 June	\$119,937	\$116,606



Members of the community helping with the Aranui Renewal Project.

Note 10: Operational Assets

Parent	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2002 \$000's	N.B.V 30 June 2001 \$000's
Land & Land Improvements	168,286	0	168,286	146,049
Buildings	298,173	0	298,173	273,632
Buildings in Progress	38,551	0	38,551	31,286
Plant	19,977	7,999	11,978	7,906
Work in Progress - Plant	202	0	202	1,850
Chattels	41,431	25,572	15,859	14,237
Library Books	55,634	41,831	13,803	12,912
Mobile Plant	8,030	4,568	3,462	3,316
Total Parent Operational Assets	\$630,284	\$79,970	\$550,314	\$491,188

Net book value of Land and Buildings as at 30 June 2002 is considered to be fair value.

Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2002 \$000's	N.B.V 30 June 2001 \$000's
Land & Land Improvements	271,527	0	271,527	249,877
Site Improvements	3,136	401	2,735	2,834
Buildings	546,074	52,881	493,193	448,286
Buildings in Progress	38,551	0	38,551	31,286
Plant and Chattels	155,793	86,573	69,220	65,443
Work in Progress - Plant	202	0	202	1,850
Buses	19,806	2,236	17,570	15,532
Plant	8,030	4,568	3,462	3,316
Sealed Surfaces	44,072	2,981	41,091	11,742
Electricity Distribution System	461,245	30,106	431,139	413,741
Harbour Structures	41,185	11,601	29,584	28,998
Vessels	9,482	1,482	8,000	1,233
Other Assets	71,380	46,614	24,766	20,625
Total Group Operational Assets	\$1,670,483	\$239,443	\$1,431,040	\$1,294,763

Net book value of Land and Buildings as at 30 June 2002 is considered to be fair value.

Note 11: Infrastructural Assets

Parent and Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2002 \$000's	N.B.V 30 June 2001 \$000's
Bus Shelters	875	250	625	781
Roading	989,262	20,589	968,673	957,544
Roading in Progress	5,550	0	5,550	37,766
Sewers	319,970	10,426	309,544	305,119
Sewers in Progress	4,230	0	4,230	1,376
Stormwater	244,294	0	244,294	173,138
Stormwater in Progress	2,474	0	2,474	72
Water Reticulation	132,411	2,509	129,902	127,847
Water Reticulation in Progress	2,589	0	2,589	2,382
Water Meters	22,006	417	21,589	21,186
Streetlights	15,306	727	14,579	12,400
Traffic Lights	9,540	287	9,253	6,928
Water & Stormwater Pumping Stations	10,391	516	9,875	8,932
Sewer Pumping Stations	3,583	306	3,277	2,840
Total Infrastructural Assets	\$1,762,481	\$36,027	\$1,726,454	\$1,658,311

Note 12: Restricted Assets

Parent and Group	Valuation or Cost \$000's	Accumulated Depreciation \$000's	N.B.V 30 June 2002 \$000's	N.B.V 30 June 2001 \$000's
Art Works	29,542	26	29,516	26,681
Library Books NZ Room	4,739	0	4,739	4,642
Reserve Land and Improvements	245,394	0	245,394	244,641
Reserve Land and Improvements in Progress	4,734	0	4,734	1,648
Buildings-Historic	13,719	19	13,700	13,633
Properties Held in Trust for Other Organisations	53	0	53	53
Total Restricted Assets	\$298,181	\$45	\$298,136	\$291,298

Net book value of Land and Buildings as at 30 June 2002 is considered to be fair value.

The ownership of urban portions of the State Highway network is unclear although there is legal opinion indicating that the ownership rests with local authorities. Transit NZ maintains the carriageway of the highway in their entirety without any costs accruing to local authorities. As a consequence, even if the ownership resides with local authorities, in practice, Transit NZ controls the economic

resources. Pending clarification of ownership, and further consideration of the accounting issues which may arise, the Christchurch City Council has not recognised the urban portion of the State Highway network as an asset in these statements. Christchurch City Council concurs with the legal opinion that ownership of urban portions of State Highways should belong to local authorities.

Note 13: Contingencies

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
(a) Contingent Liabilities				
Uncalled Capital in Christchurch City Holdings Ltd	488,999	488,999	0	0
Uncalled Capital in Transwaste Canterbury Ltd	1,514	2,082	1,514	0
Ratepayers for Uniform Annual General Charges Levied	0	925	0	925
Professional Indemnity Insurance Claims Lodged with FAI (NZ) General Insurance Company Ltd	400	600	400	600
Linwood Outfall Drain	300	0	300	0
Redbus Limited- Performance Bonds	0	0	936	907
City Care Ltd- Performance Bonds	0	0	398	107
Telecom NZ Limited challenge to the rating valuation of its telecommunications network	160	0	160	0
Guarantees to Sporting and Community Organisations	100	100	100	100
	\$491,473	\$492,706	\$3,808	\$2,639

- In March 2002, the Council sold its shareholding in Selwyn Plantation Board Limited to Christchurch City Holdings Limited (CCHL) at a price determined by an independent valuation by Deloitte Touche Tohmatsu. At that time, it was known to both parties that Selwyn Plantation Board Limited was performing a review of its methodology for valuing forestry assets, and thus provision was made in the Sale and Purchase Agreement for a potential adjustment to the purchase price should the new valuation be materially different. Selwyn Plantation Board Limited has since advised that the new valuation methodology will probably result in a significant downward movement in the valuation of its forestry resource. However, the final valuation will not be known until the year end valuation is performed in March 2003. Therefore there is potential that the

Council will have to refund part of the sale price back to Christchurch City Holdings Limited. The quantum is unknown at this stage.

- In August 1999, Christchurch City Holdings Ltd issued \$350 million new redeemable preference shares to the Christchurch City Council. No call has been made on these shares. This amount is included in the contingent liability shown above.
- From 1989 until 30 June 1997, the Council's professional indemnity and public liability insurance cover was placed with FAI (NZ) General Insurance Company. In February 1999, HIH (NZ) Ltd took control of FAI (NZ) Ltd including the Council's outstanding claims. HIH (NZ) Ltd went into liquidation on 19 July 2001 following the collapse of its Australian

Note 13: cont...

parent company. The purchaser of parts of the HIH (NZ) Ltd's portfolio did not take over the company's liabilities. Therefore, there is uncertainty as to whether the Council will receive either full or partial recovery of the losses for which it has lodged claims. The maximum loss is estimated to be \$400,000.

- Telecom NZ Limited has challenged the rating valuation of its telecommunications network. The Council believes

that the valuations have been performed professionally in accordance with the relevant legislation. If the Telecom challenge was upheld then a rates refund of up to \$160,000 would be payable.

- There are also contingent liabilities arising from claims from the parents of children attending the Civic Child Care Centre. The financial effect of these claims cannot be quantified.

(b) Contingent Assets

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Vested Assets- Nurses Chapel (at valuation)	\$400	\$400	\$400	\$400

Note 14: Capital Commitments

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Council Works	36,660	46,049	36,660	46,049
Christchurch International Airport Ltd	0	0	1,713	1,329
City Care Ltd	0	0	188	337
Jade Stadium Ltd	0	0	0	26,085
Lyttelton Port Company Ltd	0	0	1,484	1,651
Orion NZ Ltd	0	0	20,125	29,613
Red Bus Ltd	0	0	0	3,100
	<u>\$36,660</u>	<u>\$46,049</u>	<u>\$60,170</u>	<u>\$108,164</u>

At balance date, lease commitments were as follows;

Under 1 year	0	0	1,586	1,676
1-2 years	0	0	1,134	1,458
2-5 years	0	0	1,035	2,270
Over 5 years	0	0	2,260	2,562
	<u>\$0</u>	<u>\$0</u>	<u>\$6,015</u>	<u>\$7,966</u>

Christchurch City Facilities Limited has leased land from Addington Raceway Limited, for the Westpac Trust Centre. The lease has a 50 year term from 2 December 1996 with a right of renewal. The minimum annual lease payment is \$40,000.

Note 15: Reconciliation of Net Operating Cash Flow and Operating Surplus

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Net Surplus after Taxation	197,025	43,912	75,982	289,514
Non Cash items				
Depreciation	48,500	47,281	87,295	86,788
Increase/(Decrease) in Deferred Tax	0	0	4,735	7,812
Goodwill Written Off	0	0	4,184	2,331
Assets Vested in Council/Subsidiaries	(21,285)	(24,396)	(21,285)	(24,996)
Other Movements in Minority Interest	0	0	0	0
Assets Written Off	4,970	3,662	4,970	5,143
Provision for Resealing	0	0	0	806
Equity Accounted Earnings	0	0	0	(419)
Other Non-cash Items	0	0	(450)	0
Increase in Landfill Aftercare Provision	1,525	1,125	1,525	1,125
Movements in Working Capital Items				
(Increase)/ Decrease in:				
Accounts Receivable & Accruals	(31,768)	19,987	2,006	(11,961)
Taxation Receivable	0	0	17,253	(7,968)
Inventory	96	(142)	652	(608)
Increase/ (Decrease) in:				
Accounts Payable and Accruals	3,912	2,064	11	(19,658)
Taxation Payable	(636)	0	(1,907)	0
Non-current Employee Entitlements	332	(52)	19	779
Less Items classified as Investing:				
Net (Gain)/Loss on Sale of Fixed Assets	(193)	1,026	(771)	(208,356)
Other Assets in Revenue	0	0	(343)	0
Exploration Expenditure Written Off	0	0	4,233	20,986
Asset Sales on Sales of Businesses	0	0	0	(7,376)
Net Cash Inflow/(Outflow) from Operating Activities	\$202,478	\$94,467	\$178,109	\$133,942

The following terms are presented as Net: (a) Goods and Services Tax (b) Short Term Money Market Investments

Cash Balances at year end include Special Funds and other Funds which are restricted in their use. At 30 June 2002, these were \$275,710K (2001 \$107,461K)



Charles Street looking west from Aldwins Road after improvements were made under the award winning Charleston Neighbourhood Community Plan.

Note 16:**Taxation**

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Net Surplus/(Deficit) before Tax	196,389	43,912	120,646	316,430
Prima Facie Tax Expense at 33%	64,808	14,491	39,813	104,422
Permanent Differences	27,189	(2,186)	379	(69,910)
Timing Differences not Recognised	0	0	(48)	(2,518)
Loss not Previously Recognised	0	0	2,432	2,270
Imputation Credit Adjustment	(90,940)	(12,338)	(77)	438
Tax Credit Re Group Losses	(1,057)	33	0	0
Writeoff of Tax Asset	0	0	305	5,330
Prior Year Loss Recognised	0	0	114	(246)
Under/(Over) Provision	(636)	0	1,746	(12,870)
Income Tax Expense/(Benefit)	(\$636)	\$0	\$44,664	\$26,916
Comprising:				
Current Taxation	(636)	0	39,929	19,108
Deferred Taxation	0	0	4,735	7,808
	(\$636)	\$0	\$44,664	\$26,916
Deferred Taxation				
Opening Balance	0	0	(31,888)	(24,076)
Prior Year Adjustment	0	0	(44)	(26,710)
Current Year	0	0	(4,691)	18,898
Net Deferred Tax Asset/(Liability)*	\$0	\$0	(\$36,623)	(\$31,888)

*The net Deferred Tax Liability is made up as follows:

Deferred Tax Liability	0	0	38,267	33,536
Less Deferred Tax Asset	0	0	(1,644)	(1,648)
Net Deferred Tax Asset/(Liability)*	\$0	\$0	(\$36,623)	(\$31,888)

Taxable losses for the Council of \$982K with a tax effect of \$324K (2001 \$175K) and for the Group of \$6,763K with a tax effect of \$2,232K (2001 \$1,804K), have not been recognised. These losses are available to be carried forward to offset against future assessable income. Unrecognised future income tax liabilities for the Group, arising from timing differences, amount to \$4,803K (2001 \$2,122K benefits).

Note 17:**Imputation Credit Account**

	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Christchurch City Holdings Ltd	14,339	67,762
CCHL Subsidiaries	24,722	25,301
Other CCC Subsidiaries	9	6
	\$39,070	\$93,069

Dividend income of the parent includes dividends received from subsidiaries. All these dividends, except those from one subsidiary, carry imputation credits when the dividend is received.

Note 18: Remuneration

The remuneration package of the Council's City Manager, appointed under Section 119C(1) (a) of the Local Government Act 1974, is \$237,021 per annum.

This is comprised of:

	Actual 2002 \$	Actual 2001 \$
Salary	204,383	194,122
Superannuation Subsidy	20,438	19,412
Imputed Value of Vehicle	7,500	7,500
Allowances	4,700	4,700
	\$237,021	\$225,734

For the year ended 30 June 2002, the total cost to the Council, including fringe benefit tax, was \$244,849 (2001 \$234,400).

Six Directors are employed on remuneration packages in the following range:

Annual Salary of \$125,000 to \$155,000.

Additional elements of remuneration of \$30,000 to \$40,000.

(Additional benefits are generally between 25% of salary and consist of superannuation subsidy, professional fees, and use of a vehicle.)

Cost of Severance Payments

Section 223 E (12) 1 (a) of the Local Government Act requires reporting of severance payments including any tax liability, over \$50,000. For the year ended 30 June 2002, the following payments were made: (2001 \$268,748.)

Engineering Officer	\$70,000	Park Ranger	\$50,204
Subdivision Engineer	\$53,000		

Note 19: Landfill Aftercare Liability

The Christchurch City Council gained a resource consent in April 1998 to operate Stage 2 of the Burwood Landfill. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- final cover application and vegetation.
- incremental drainage control features.
- completing facilities for leachate collection and monitoring.
- completing facilities for water quality monitoring.
- completing facilities for monitoring and recovery of gas.

Post-closure responsibilities:

- treatment and monitoring of leachate.
- ground monitoring and surface monitoring.
- implementation of remedial measures needed for cover and control systems.
- ongoing site maintenance for drainage systems, final cover, and vegetation.

The estimated total liability for closure and post-closure is \$4.2 million.

Capacity of the Site

In May 2002, Environment Canterbury granted a new resource consent for Burwood Landfill out to May 2005. Objections to this have been lodged by two parties. A resource consent application was lodged by Canterbury Waste Services in April 2002 on behalf of the eight Transwaste Canterbury Ltd shareholders for the new joint venture regional landfill at Kate Valley. The earliest likely date for opening is in late 2004, though this opening date could be delayed until 2005. Burwood Landfill does have the capacity to accommodate the waste stream until 2005 if this proves necessary.

Closed Landfills

The Council is still awaiting the issue of resource consents for a few of the closed landfills for which it is responsible for the ongoing monitoring and maintenance. The liability has been estimated, based on an assumed monitoring period of 30 years after the application for the resource consents. The estimated cost for the closed landfills, excluding the first three stages of the Burwood landfill is \$7.6 million.

Note 19: cont'd

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Opening Balance	15,725	14,600	15,725	14,600
Additional provision made	1,575	1,125	1,575	1,125
Adjustment for adoption of FRS-15	1,400	0	1,400	0
Amount utilised	0	0	0	0
Closing Balance	\$18,700	\$15,725	\$18,700	\$15,725

Note 20 Financial Instruments

(a) Credit Risk

Financial instruments which potentially subject Christchurch City Council and its subsidiaries to credit risk consist principally of cash and short term investments, accounts and long term receivables, and loans.

(b) Credit Risk Exposure

Maximum exposures to credit risk at balance date are:

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Cash, Bank and Short Term Deposits	280,046	141,248	318,559	328,807
Accounts Receivable	54,749	22,981	58,279	87,140
Loans to Cultural and Sporting Organisations	2,410	5,598	2,410	5,598
Shares Gifted in Trust	11	681	11	681
Government and Local Body Stock	6,550	4,285	6,550	4,285
Loans	41,243	26,000	0	0

No collateral security is held for the above.

(c) Off Balance Sheet Risk

Interest rate swaps may be employed by Council subsidiaries to manage interest rate exposure. Fluctuations in interest rates give rise to market risk.

Contracts have been entered into with various counterparties, having such credit ratings and in accordance with such dollar limits as set forth by authorised policies. No collateral or other security is required to support financial instruments with credit risk.

While the Group may be subject to credit losses up to the notional principal or contract amounts in the event of non performance by its counterparties, it does not expect such losses to occur. The notional principal or contract amounts outstanding at 30 June are as follows:

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Foreign Currency Forward Exchange Contracts	0	0	67	299
Interest Rate Swaps and Forward Rate Agreements(FRA's)	0	0	158,500	93,192
Interest Rate Caps	0	0	0	11,000
Bond Forward Rate Agreement	0	0	0	41,000

Note 20 cont...

(d) Concentration of Credit Risk

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash and short term investments, trade and notes receivable and various off balance sheet instruments. The Group places its cash and short term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its treasury policies. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the subsidiaries' customer bases.

(e) Fair Values

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Foreign Currency Forward Exchange Contracts	0	0	7	2
Interest Rate Caps	0	0	0	1
Interest Rate Swaps and FRA's	0	0	602	525
Bond Forward Rate Agreement	0	0	0	103

(Figures in brackets are receivables)

Note 21:

Transit New Zealand Act Disclosures

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's
Transit New Zealand Act disclosures		
In House Professional Services		
City Streets Business Unit		
Revenue from In-house Professional Services for		
TNZ Financially Assisted Roading	1,426	1,478
Revenue from Other Activities	5,806	5,603
Total Works Performed	7,232	7,081
Total Operating Costs	(7,232)	(7,081)
Surplus on Operations	\$0	\$0
City Solutions Business Unit		
Revenue from In-house Professional Services for		
TNZ Financially Assisted Roading	3,418	1,247
Revenue from Other Activities	5,708	6,386
Total Works Performed	9,126	7,633
Total Operating Costs	(8,670)	(7,331)
Surplus on Operations	\$456	\$302
The Surplus is transferred to the Council's General Fund.		
Property Services Unit		
Revenue from In-house Professional Services for		
TNZ Financially Assisted Roading	23	3
Revenue from Other Activities	877	625
Total Works Performed	900	628
Total Operating Costs	900	628
Surplus on Operations	\$0	\$0
The Surplus/Deficit is transferred to the Council's General Fund.		

Note 22: Annual Residents Survey

These indicators are based on the Annual Residents Survey of Participation and Satisfaction. This was originally designed in consultation with Statistics New Zealand and is now performed by National Research Bureau Ltd under contract to the Christchurch City Council.

Where actual results from the survey are included in the Statement of Service Performance, these are based on interviews conducted with 780 Christchurch City residents in March/April 2002 and has a margin of error of +/- 3% at the 90% confidence level.

Note 23: Parking Survey

These indicators are based on results drawn from surveys of off-street and on-street car park users designed by Statistics NZ and actioned by Parking Unit staff. 149 off-street car park users and 137 on-street park users were interviewed in 2002. The estimated sampling error for these surveys lies within the +/- 3% range at the 90% confidence level.

Note 24: Related Party Transactions:

All members of the Group are considered to be related parties of Christchurch City Council. This includes Subsidiaries, Associates and Joint Ventures.

	Actual 2002 \$000's	Actual 2001 \$000's
Related Parties and Balances		
Interest received on loans to related parties	2,648	1,057
Interest paid on loans to related parties	3,798	2,027
Dividends paid to the Council	185,709	24,784
Accounts payable to the Council	1,800	1,331
Accounts receivable from the Council	6,693	6,591
Loans to related parties	41,243	26,000
Loans from related parties	68,395	43,641
Issue of shares to the Council	6,300	4,990
Share investments sold by the Council	39,400	0
Services provided to the Council	34,318	40,618
Services provided by the Council	3,273	4,597
Subvention payments to the Council	3,709	9,348
Rates paid to the Council	2,180	1,003
Fixed assets sold by the Council	0	723
Fixed assets purchased by the Council	2,000	0
	Actual 2002 \$000's	Actual 2001 \$000's
Transactions between Subsidiaries:		
Dividends received/receivable to Christchurch City Holdings Ltd	52,777	30,733
Interest received/receivable to Christchurch City Holdings Ltd	6,615	11,122
Subvention payments	2,617	2,750

Key Management and Members of the Council.

During the year, Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council, such as the payment of rates and purchase of rubbish bags. Except for these transactions, and items of a trivial nature, no Councillors or senior management have entered into related party transactions with the Group.

Note 25: Subsequent Events

The Group financial statements include the market value of Christchurch City Holdings Limited's investment in Lyttelton Port Company Limited at \$119,937,000 based on the market value at balance date. Since balance date, there has been a decline in the listed share value. Based on the market value of shares at 20 November 2002, the value would be \$97,949,000. Apart from this there are no subsequent balance date events in relation to the Council or its subsidiaries that materially affect the financial statements.

Note 26:

There is a difference between Financial Plan and Annual Report in respect of the amount shown in the Estimates. This difference has been brought about because some amounts of the cost and revenue budgets have been carried forward at the end of each year. The Council has also approved budget transfers between outputs. The transfers between operating budgets do not alter the total amount shown in the Financial Plan.

Reconciliation of Estimates reported in the Financial Plan and Annual	Annual Plan	Projects and Other Costs Carried Forward	Transfers and Other Adjustments	Annual Report
	\$000's	\$000's	\$000's	\$000's
Art Gallery	3,149	0	(49)	3,100
Car Parking	(2,669)	(102)	193	(2,578)
City Streets	34,217	(941)	930	34,206
Community Services	12,850	251	464	13,565
Economic Development	15,400	174	(3,209)	12,365
Environmental Policy and Services	13,327	(738)	(443)	12,146
Housing	(1,996)	0	25	(1,971)
Library and Information Services	19,879	(127)	190	19,942
Parks and Waterways	26,152	(15)	(27)	26,110
Public Accountability	10,190	55	(494)	9,751
Sewerage	14,799	(37)	(683)	14,079
Sports, Leisure and Events	13,674	(142)	(745)	12,787
Waste Minimisation and Disposal	2,672	0	541	3,213
Water Supply	10,917	312	(473)	10,756
Total Significant Activities	\$172,561	(\$1,310)	(\$3,780)	\$167,471
Rates	(138,689)	0	(1,779)	(140,468)
Interest Income	(15,821)	0	2,642	(13,179)
Dividend Income	(158,625)	0	0	(158,625)
Vested Assets	(15,000)	0	0	(15,000)
Capital Grants/Contributions	(1,991)	(29)	1,571	(449)
Other Income	(5,220)	20	(1,025)	(6,225)
Community Contributions	4,763	(119)	(205)	4,439
Emergency Services	1,161	0	(5)	1,156
Sundry Expenditure	3,515	0	1,291	4,806
Net Surplus for Year	(\$153,346)	(\$1,438)	(\$1,290)	(\$156,074)

Note 27: Major Budget Variations- Parent

Statement of Financial Performance

Explanations for major variations from the Council's estimate figures in the 2001/02 Annual Plan are as follows:

	\$000's
Higher than budgeted Dividend Income from the special dividend declared by Christchurch City Holdings Ltd	18,000
Higher than budgeted Dividend Income from Christchurch City Holdings Ltd due to the price paid for the shareholdings in City Care Ltd and Selwyn Plantation Board Ltd being \$7.4 million lower than budgeted	7,400
Higher than budgeted Dividend Income due to the delay in the sale of the shareholdings in City Care Ltd and Selwyn Plantation Board Ltd resulting in dividends being paid to the Council instead of Christchurch City Holdings	1,388
Higher than Budgeted Vested Assets Income due to higher than expected subdivision activity.	6,285
Unbudgeted income from Subvention Receipts from LATEs	3,710
Lower than budgeted Interest Income due to the delay in the sale of the shareholdings in City Care Ltd and Selwyn Plantation Board Ltd and the lower than budgeted interest rates	(394)
Unbudgeted recovery of expenditure incurred for Travis Heritage Park in earlier years	750
Higher than budgeted Housing operating costs due to the cost of clean up of contaminated sites	(1,081)
Higher than budgeted costs for the writeoff of houses demolished for roading purposes net of the lower than budgeted costs for roading assets replaced early	(998)
Higher than budgeted costs for maintenance of parks due to more completed areas being vested in the Council than budgeted plus higher than budgeted vandalism repair costs	(460)
Higher than budgeted income from Water Billing due to the implementation of a new computer system	430
Lower than budgeted Warmer Home grants due to the announcement of the Environment Canterbury subsidy initiative	529
Restructuring the Travis Group of companies and sale of Travis Group tax losses eliminated the Council's need to make a subvention payment to Travis Finance Ltd	750
Higher than budgeted parking court recoveries due to improvements in the Department of Courts' operations	475
Lower than budgeted network service costs due to the letting of new contracts for communication equipment and server maintenance	450
Higher than budgeted Transfund subsidies	477
Unbudgeted write back of the remainder of the 1996 Income Tax provision	636

Statement of Movements in Equity

Apart from the increased unbudgeted income referred to above, there is a net decrease brought about by the upward revaluations of Waterways & Wetlands Infrastructure Assets of \$71.4M being more than offset by a decrease in the value of ownership of subsidiary companies of \$142.9M and the decrease in the value of Land & Buildings of \$6.7M. The decrease in the value of ownership of subsidiary companies of \$142.9M was due to the effect of a special dividend of \$135M paid by Christchurch City Holdings to the Council and the revaluation of other subsidiaries.

Statement of Financial Position

The Net Surplus after Taxation plus the upward revaluation of Waterways & Wetlands Infrastructure Assets exceeded the decrease in the value of Land & Buildings and the decrease in the value of ownership of subsidiary companies resulting in a \$121M increase in Total Equity.

Note 28: Financial involvement in LATE's and Other Companies or Organisations

The cost to each entity for the financial interests, finance, or financial assistance of the Council is as follows:

	Dividends 2002 \$000's	Interest 2002 \$000's	Total 2002 \$000's	Total 2001 \$000's
Subsidiaries:				
City Care Ltd	1,231	0	1,231	626
Christchurch City Facilities Ltd	0	0	0	0
Christchurch City Holdings Ltd	184,478	0	184,478	24,160
Jade Stadium Ltd	0	2,203	2,203	463
Travis Finance Ltd	0	446	446	571
Associates				
Selwyn Plantation Board Ltd	157	0	157	889
Transwaste Canterbury Ltd	0	0	0	0
	\$185,866	\$2,649	\$188,515	\$26,709

The provision of financial assistance by Christchurch City Council, to each of these organisations, is by share capital and loans. It does not include any guarantee of other borrowings by them.

Note 29: Vested Assets

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Restricted Land and Buildings	4,886	5,166	4,886	5,166
Infrastructural Assets	13,901	19,230	13,901	19,230
Artworks	2,498	0	2,498	0
	\$21,285	\$24,396	\$21,285	\$24,396

Note 30: Grants/Contributions to Major Projects

	Actual 2002 Parent \$000's	Actual 2001 Parent \$000's	Actual 2002 Group \$000's	Actual 2001 Group \$000's
Grants and Donations for new Art Gallery	429	428	429	428
Other Sponsorships and Contributions	40	57	40	57
	\$469	\$485	\$469	\$485



The Christchurch School of Music Senior Jazz Group performs during the closing weekend of the Robert McDougall Art Gallery.